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FIELD OF THE INVENTION

The field of this invention pertains to the automated monitoring of compliance and the oversight of individuals and/or organisations involved in the buying and selling of financial instruments and the making of investment decisions with specific client investment mandates and involves, among other elements, the analysis and reporting of best trade execution analysis and draws from a perceived need to provide answers to the following question:

Does the appointment of a Fund Manager guarantee the benchmark investment performance and/or that a portfolio is efficiently managed and/or that the entire investment process is managed effectively and efficiently.

The invention enables unprecedented oversight into the efficiency and cost effectiveness of trader and investment fund manager behavior by tracking his/her actions at every key step in the process of portfolio management. The invention enables direct dissection and determination of the direct and indirect costs of executing investment ideas, a process that can be referred to as Best Executions Analysis (BEA).

For the purposes of describing this process the principal hereunder is defined as that individual or entity that directly executes a buy, sell or hold order with regard to a particular financial instrument of group of instruments.

The invention automates the monitoring, analysis and evaluation of a wide variety of steps in the process of investment in financial instruments that have not hitherto been subject to systematic scrutiny. This involves the recording of:

1. Time and date of identification and validation of investment instruments that fit the mandated criteria of the client.
2. Time and date of selection by the fund manager of a specific principal to execute a trade in said financial instrument/s.

3. Time and date and target price of order placed by that specific principal for trade of said financial instrument/s.
4. Time, date and price of order completion or lack thereof, with reasons for same.
5. Time, date and market price of buying and selling activities for the same securities that a particular broker was engaged in buy, sell or hold activities for.
6. Calculation of variances in behavior between the principal and the market including pricing, timing or buying and selling, sale or non sale, sale or purchase by principal or fund manager or brokerage house or other funds of same stock and prices of these transactions.
7. Calculation of the value added/ or cost of specific buying and selling decisions over periodic intervals

Best Execution Analysis is the continuous monitoring and evaluation of the efficiency of the processes required to turn an investment idea into an executed transaction.

BEA enables the overseer or trustee/s of an investment fund to have a powerful tool for the measurement and control of trading costs in a much broader sense than before, because brokerage is just one element of the costs incurred by brokers acting on their behalf as well as the evaluation of these service providers. The invention is a powerful tool for the quantification of all costs involved in buying, selling, decision-making and timing of activities incurred by all role players in the investment process. These include but are not limited to:

1. Delays in placement of buy or sell orders for financial instruments
2. Buying and selling of financial instruments for principal – tracking the volume and timing of such activities in comparison with volume and timing of buying and selling for client.
3. Volume and timing of strategic acquisitions of financial instruments versus sales to clients and principal.

The process entails a computer program that enables sequential documentation and tracking of the times and events in the process whereby investments ideas are acted upon and transformed into implemented actions for a designated portfolio.

The invention is predicated upon the idea that:

- (a) The intensity of the “Active Monitoring and Analysis” (A.M. & A) processes, implemented and maintained by Institutional fund overseers and/or Trustees, can have a fundamental impact on investment performance, and;
- (b) The failure of Overseers and/or Trustees to carry out their fiduciary responsibilities is often the result of being provided with too much unprocessed information too late;
- (c) Regulators up until now did not have the equipment or manpower to monitor and Analyze every transaction in the investment process for compliance and efficiency.

The invention provides Fund Overseers and/or Trustees, with concise summaries of unbiased accurately analysed and interpreted process-derived intelligence, enabling them to make timely, well-reasoned decisions, and in so doing, ensure optimum benefit for their portfolios while carrying out their fiduciary responsibilities to their members.

One exemplary embodiment of the invention is a trading oversight service. In the trading oversight service, the invention enables direct comparison of trading activities of each bond and each equity in a designated portfolio against an appropriate benchmark. Take the example of a Fund that mandates that asset managers maintain assets that meet designated specific criteria such as, that buy and sell prices are within specified tolerance limits, asset mix, prohibited investments or minimum market capitalization, maximum or minimum individual and/or sectoral weightings within the portfolio.

The invention will track the trading of such stocks to ascertain whether or not they were purchased at the most opportune time and price and that the volumes reflected the mandates of the Fund Overseer or Trustees. Bond and money-market activities and other mandate adherence may be subjected to similar scrutiny. This process identifies and quantifies excessive costs incurred by the Fund, due to inefficiencies and or failure to adhere to best efforts and practice procedures.

The result of the findings can be represented in real-time and/or batched and/or exception reports (with agreed upon tolerance levels) delivered in electronic or paper medium formatted to provide summary or exploded views of exceptional activities that have occurred within the portfolio.

One exemplary embodiment of the invention will be a report module that highlights each "anomaly" against predetermined tolerance limits and at the same time calculates the respective cost to the Fund.

The oversight service empowers the Trustees with factual data on which to make informed decisions concerning the service provided by their Fund Managers, and the traders and stockbrokers used by them. This module will identify trading patterns whether good or bad and provide objective benchmarks against which to evaluate portfolio managers, and the stockbrokers that they utilize.

Another embodiment of the invention will include a report that can be presented in a variety of permutations allowing Trustees to see activities across all portfolios, or by portfolio managers, or by broker or by share.

This module is specifically designed to protect Trustees by providing them with visible proof of compliance.

The system is programmable to alert the user to any predetermined anomaly, variance or transgression detected in the investment process, without human intervention via E-mail or SMS.

Claims

What is claimed is:

1. A programmable automated data processing and response system capable of monitoring/tracking and analyzing of individual or multiple events in the workflow of one or all or a combination of any of the asset management role players/service providers and their respective